

**BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Adopt Rules
and Procedures Governing Commission-
Regulated Natural Gas Pipelines and Facilities
to Reduce Natural Gas Leakage Consistent with
Senate Bill 1371.

Rulemaking 15-01-008
Filed January 15, 2015

**REPLY COMMENTS OF ENVIRONMENTAL DEFENSE FUND ON THE
ADMINISTRATIVE LAW JUDGE'S RULING ENTERING STAFF WORKSHOP
SUMMARY AND WORKSHOP MATERIALS ON TARGETS, COMPLIANCE, AND
ENFORCEMENT INTO THE RECORD AND SEEKING COMMENTS**

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Dated: July 22, 2016

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I. INTRODUCTION

The Environmental Defense Fund (“EDF”) respectfully submits these reply comments to the California Public Utilities Commission (“CPUC” or the “Commission”) addressing the Administrative Law Judge’s (“ALJ”) June 23rd Ruling (“June 23rd Ruling”) entering staff workshop summary and workshop materials on targets, compliance, and enforcement into the record and seeking comments. EDF appreciates the Commission and California Air Resources Board (“CARB”) staff efforts that began the conversation and the opportunity to comment on how and when targets should be formulated.

II. DISCUSSION

EDF continues to maintain that compliance should be based on compliance with the individual mandatory and voluntary best practices staff recommended, with the adjustments that EDF recommended in its comments on best practices. Quantitative emissions targets should therefore represent interim goals that push utilities to use their resources in the most efficient manner.

EDF appreciates the comments provided by the other parties that contribute to the discussion. To avoid repetition, EDF responds only to specific statements or claims made by

other parties as necessary to clarify the record. EDF addresses each party that filed comments in turn below.

A. EDF's response to Joint Utilities' Comments

EDF agrees with the Joint Utilities (Southern California Gas Company ("SoCalGas"), San Diego Gas and Electric Company ("SDG&E"), and Southwest Gas Corporation) that at this time setting hard emissions targets is not the best option for enforcement of the emissions reductions. However, EDF disagrees with the Joint Utilities assertion that it is inconsistent with other greenhouse gas reduction programs such as CARB's Short Lived Climate Pollutants Strategy and the Global Warming Solutions Act (AB 32). At this time, hard percentage reductions targets would be difficult to enforce and support because emissions reports are not accurate or transparent enough. However, technology to directly measure emissions is improving, and should continue to be evaluated by the commission.

EDF reiterates that SoCalGas/SDG&E's proposed framework for limited utility selected best practices would not satisfy the law's requirements to minimize emissions.¹ The current proposed best practices framework with mandatory best practices and Commission approved compliance plans would satisfy the law.

EDF strongly disagrees with the Joint Utilities argument that developing a better estimate of the volume of emissions does nothing to reduce emissions. First, if utilities estimate the actual size of leaks they can prioritize repair of largest leaks, achieving the greatest emissions reductions at the smallest cost. Second, information gained about leak size can be used to not only prioritize leaks but also predict where leaks are likely to occur and the risk they pose. As EDF noted in its opening comments, advanced geospatial analysis of utility data can help utilities more efficiently use funds to reduce emissions.² By using advanced analysis to prioritize repair and reduce the amount of unfound leaks, utilities can better use the funds they have – contrary to the Joint Utilities claims that with limited funds less information will lead to more emissions reductions.

¹ CAL. PUB. UTIL. CODE § 975(b)(1).

² R. 15-01-008, *Comments of Environmental Defense Fund on the Administrative Law Judge's Ruling Entering Staff Workshop Summary and Workshop Materials on Targets, Compliance, and Enforcement into the Record and Seeking Comments* 11, (July 15, 2016).

The Joint Utilities state that CARB did not provide its' assumptions for the compliance plan reduction targets. EDF agrees that information on how CARB calculated those targets would be beneficial. However, as the law requires utilities to minimize emissions, EDF does not support the claims that the presentation of targets imposes undue pressure on utilities.

B. EDF's Response to PG&E's Comments

EDF agrees with PG&E that targets can provide a benchmark to evaluate the progress of individual utilities. However EDF continues to argue that the law requires the Commission to require the best practices that are clearly best.³ EDF also supports the incorporation of direct measurement data as part of the annual emissions reporting.

C. EDF's Response to the ISPs' Comments

EDF agrees that the ISPs' new facilities have less leaks than the larger and older utilities. However this does not mean that the ISPs have minimized their leaks as is required under the law. EDF does not agree that there should be a ceiling for cost effectiveness of requirements based on the per-unit of methane emissions reduced because some actions required by this proceeding will not fall within that framework. EDF argues that the ISPs should be required to implement the mandatory best practices (though some may be adjusted if not applicable). A recent study, commissioned by EDF, examining the effects of the proposed PHMSA rules found that reductions in emissions from blowdowns are cost effective from storage facilities, illustrating an area where the ISPs can improve their emissions profiles.⁴ The ISPs claim that it would not be cost effective to reduce emissions from blowdowns, however this study draws the opposite conclusion.

EDF agrees that the 40% reduction target is consistent with Executive Order B-30-25 and CARB's SLCP Reduction strategy. As EDF has maintained, the law requires utilities and storage providers to minimize emissions. The ISPs should be required to make reductions where it is cost effective based on the social cost of methane and their optimal use of resources. EDF

³ CAL. PUB. UTIL. CODE § 975(e)(4).

⁴Lowell, D., Jones, B., Seamonds, D. and Russel, P, *Analysis of Pipeline and Hazardous Materials Safety Administration Proposed New Safety Rules: Pipeline Blowdown Emissions and Mitigation Options*, MJ Bradley (2016).

argues artificial estimates based on facilities around in 1990 is not an appropriate approach to setting reduction targets for the ISPs.

D. EDF's Response to ORA's Comments

ORA states that more existing leaks will be detected as more sensitive equipment is deployed, which is therefore a flaw in using leak detection to verify progress toward an emissions reduction target. As EDF has argued, targets should be informative and not compliance based. Targets will have to be reevaluated as new technologies find more leaks, and the number of unfound leaks decreases. EDF does not agree that revising the General Order would detract from the task of implementing best practices, because the proposed best practices portion of the regulation would conflict with the existing general order if the final decision keeps the best practices framework the same. These two regulations must be reconciled, and updating the General Order 112-F to reflect the new requirements will ensure there is no conflict.

E. EDF's Response to CUE's Comments

EDF shares CUE's concern about the availability of CPUC and CARB staff to perform audits and inspections, and supports the recommendation for the Commission to consider hiring certified third parties. EDF supports CUE's assertion that as utilities improve their leak management costs will go down, and asks the Commission to consider how to spread out the upfront costs.

EDF also agrees that GO-112F should be amended to include all the requirements and best practices determined by this proceeding to reduce conflict and update sections made obsolete by the new and improved practices.

III. CONCLUSION

For the reasons stated above, EDF respectfully requests that the Commission consider these reply comments on the Administrative Law Judge's ruling entering staff workshop summary and workshop materials on targets, compliance, and enforcement into the record and seeking comments.

Respectfully signed and submitted on July 22, 2016.

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